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14 November 1988

MEMORANDUM FOR: Deputy Director for Administration
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
Inspector General
General Counsel
Director, Office of Congressional Affairs
Comptroller
Director, Security Evaluation Office

FROM: Executive Director

SUBJECT: Functional Issues Briefing Package for New Administration

The DCI has reviewed the attached draft non-substantive or functional issues package that you contributed to for possible use in connection with briefing officials of a new Administration. We edited some of the submissions fairly heavily and composed new text in some cases to cover gaps in the discussion or to make it more prescriptive. We have also incorporated changes suggested by the DCI. You should, therefore, carefully review your section(s) to ensure that violence hasn't been done to your presentation. But you should also skim through the other sections to ensure consistency, to see that you agree with the observations made in those other parts of the package, and to make sure that we haven't made any serious errors of omission or commission.

Please pass your comments back to me or [redacted] by Monday, 21 November. Because of the high classification of the complete package, please keep distribution to a minimum.

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James H. Taylor

Attachment

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**FUNCTIONAL INTELLIGENCE
ISSUES
FACING A NEW ADMINISTRATION**



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CIA OVERVIEW

The Central Intelligence Agency is charged with two basic responsibilities--coordinating and providing services of common concern to the numerous intelligence activities of the US Government, and collecting, evaluating, analyzing, producing and disseminating national-level intelligence to the President and other US policymakers. Those responsibilities were assigned to the Agency by the National Security Act of 1947, which evolved from the country's intelligence experience of World War II and the demonstrated need for a centralized or national-level intelligence coordinating authority. Although the world--and the focus of CIA's activities--has changed considerably since then, the Agency's basic responsibilities have remained the same, modified and elaborated on by the CIA Act of 1949 and a variety of Executive Orders and other directives over time.

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Organization and Functions

The DCI and DDCI are the statutory leaders of the CIA. They carry out their supervisory and management responsibilities through four principal directorates--Intelligence, Operations, Science and Technology, and Administration. They also provide leadership and direction to the Intelligence Community as a whole. The Executive Director provides day-to-day management for CIA, and assists the DCI and DDCI in establishing policies that affect the Agency's mission and functions and its relationship to the rest of the government.

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In addition, within CIA, there are seven components or independent offices that assist the DCI, DDCI and Executive Director in ensuring accountability and discipline, conducting relations with the Congress, legal matters, program development and resource management, relations with the media, the production of National Intelligence Estimates and substantive relations with the policy community, and establishment of embassy security standards.

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Directorate of Intelligence. The DI processes information from all intelligence sources, organizes information relating to specific substantive issues, and conducts research and analysis to support US policymakers. Five geographic offices--Soviet, European, Near Eastern and South Asian, East Asian, and African and Latin American--conduct multidisciplinary analysis on all countries and topics within their areas of responsibility.

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In addition, six functional offices analyze a variety of international issues,

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produce the National Intelligence Daily and the President's Daily Brief, produce CIA maps and graphics, and manage the CIA's 24-hour Operations Center. There also is a separate staff that deals exclusively with arms control issues.

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Directorate of Operations. The DO is responsible for the clandestine collection of foreign intelligence and the conduct of counterintelligence activities abroad, for the coordination of such collection and activities carried out by other US agencies abroad, for overt collection of foreign intelligence from cooperating sources within the United States, for the conduct of covert action activities as directed by the President, and for the Agency's counterterrorism effort. [REDACTED]

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Directorate of Science and Technology. The DS&T conducts the Agency's programs for imagery; signals intelligence (SIGINT); research, development, and engineering; and technical support to the clandestine collection activities of the Directorate of Operations. Its functions include participation in the development and operation of overhead collection systems of the National Reconnaissance Program, the development of technical means for improved processing and exploitation of imagery, and the exploitation of imagery for the entire Intelligence Community. [REDACTED]

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In addition, the DS&T operates a network of field sites in the United States and abroad to monitor foreign broadcast and print media [REDACTED]

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Directorate of Administration. The DA provides support services for all CIA activities and other Intelligence Community agencies as required, and advises CIA managers on administrative matters. These support services include the full spectrum of Agency training needs, logistic support to both domestic and overseas Agency activities, the CIA personnel and financial systems, and a worldwide communications network [REDACTED]

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In addition, this Directorate provides centralized computer services for CIA and data-processing assistance for several Intelligence Community systems, a wide variety of medical programs on behalf of Agency employees and the Intelligence Community in its counterterrorism efforts, a comprehensive worldwide protection program for Agency personnel and facilities, and a technical surveillance countermeasures training center for the Intelligence Community. [REDACTED]

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CIA and the Intelligence Community

In addition to being the President's chief advisor on national intelligence matters and the head of CIA, the DCI is the senior intelligence officer responsible for coordinating the nation's overall foreign intelligence effort. In this capacity, he is responsible for developing the National Foreign Intelligence Program budget and for directing the tasking of all Intelligence Community collection elements. CIA and the Intelligence Community (IC) Staff support the DCI in this role, with CIA providing staff support for several DCI intelligence collection and production committees, coordinating the production of substantive national intelligence with other Community components, and providing general support to the IC Staff and other specialized intelligence activities. [REDACTED]

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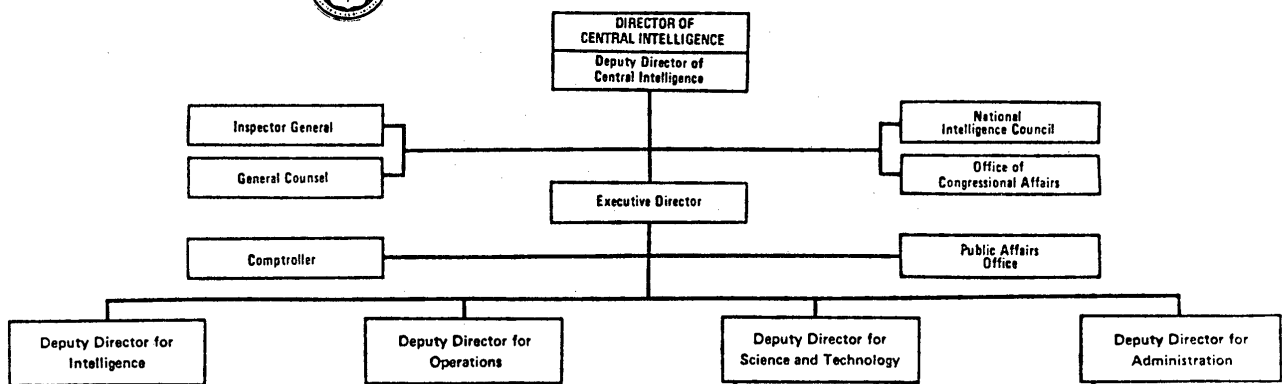
In addition to CIA and the IC Staff, the Intelligence Community consists of the National Security Agency, the Defense Intelligence Agency, the offices within the Department of Defense responsible for collecting specialized national foreign intelligence through reconnaissance programs, the FBI, and the intelligence elements of the military services and the Departments of State, Treasury and Energy, and the Drug Enforcement Administration. The CIA is in daily contact with these other Community elements on a wide variety of operational, administrative and production-related matters. [REDACTED]

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Central Intelligence Agency



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CIA'S ROLE IN THE POLICY PROCESS

CIA has the unique role of participating directly in the national security policymaking process without advocating particular policies. The Agency thus must continually walk the narrow path of being policy-relevant but not policy-prescriptive. Its ability to stick to that path is helped by another special attribute: as the Central Intelligence Agency, it is the only member of the Intelligence Community that is not part of a policymaking department but, rather, is dedicated to serving the entire U.S. Government.

Formal Mechanisms

CIA is a regular member of several high-level groups that consider national security policy. The DCI participates in meetings of the National Security Council (NSC) and the National Security Planning Group (NSPG), both chaired by the President. At the next level down, the Deputy Director for Intelligence represents the DCI on the NSC Policy Review Group (PRG), which is chaired by the Deputy National Security Advisor and meets frequently to consider proposed policy initiatives and US responses to current problems. The PRG frames issues and options for later consideration by the NSPG. The Deputy Director for Operations represents the DCI on a parallel body, the Planning and Coordination Group (PCG), which serves as an intermediary between the NSPG and CIA on covert action (CA) matters. It provides guidance and direction to CIA for the implementation of NSPG-approved CA programs. It also reviews CA programs annually, evaluates their effectiveness, and recommends to the NSPG whether they should be continued.

At lower levels, appropriate officers from each of the Agency's directorates participate in a wide variety of Interdepartmental Groups and Senior Interdepartmental Groups responsible for coordinating policy on specific issues.

CIA's participation in these forums has generally been an effective way to ensure that the Agency's interpretation of critical current problems is heard in senior policymaking circles. A shortcoming is that the system is largely crisis-driven; interagency meetings are not convened on many issues that call more for long-range analysis and planning than for crisis-management.

CIA also provides an input to policy planning as a member of the US Intelligence Community, which produces National Intelligence Estimates and other joint products. By virtue of its size, resources, and diversity, CIA frequently plays the leading role in developing the judgments in these Community papers.

Less Formal Contacts

Agency officers frequently meet with senior policymaking officials on a one-on-one basis. The DCI meets weekly with the Secretary of State, the Secretary of Defense, and the National Security Advisor. These sessions give the Director an opportunity to convey newly acquired intelligence and the Agency's judgments about current problems, to present the results of recently

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completed research, to learn of new policy concerns, and generally to exchange views on national security issues. A mechanism for furnishing CIA's daily product directly to senior officials is the President's Daily Brief (PDB), which CIA provides to the Vice President, Secretaries of State and Defense, the National Security Advisor, and the Chairman of the Joint Chiefs of Staff. The Agency officers who deliver the PDB often serve as conduits for questions or special requests from these officials.

Lower-level contact between officers of the Agency and policymaking departments is continuous and voluminous. The Agency has full-time representatives at the Departments of Commerce, Defense, Energy, and Treasury who are responsible for getting intelligence products to where they will be useful and for accepting requests for intelligence support. In addition, there are countless daily communications between Langley and downtown involving analysts, operations officers, desk officers, and managers.

Papers And Planning

Most of CIA's output to the policy community is in written form (including raw reports as well as finished analyses). Many papers are specifically requested from downtown, but many more are initiated by us. Keeping these papers relevant to the policy process requires close consultation with policy officials as analysis and collection efforts are planned. There are some formal procedures for doing this, including periodic reviews of the National Intelligence Topics, of the value of raw intelligence reports, and of the analytic offices' production plans. Informal consultation is even more important. Even with these efforts, the Agency will always face the challenge of anticipating the needs of policymakers who do not think instinctively about how intelligence can support policy planning and who often have little time to define their intelligence needs.

The Road Ahead

The Agency moves into the transition period with less controversy surrounding its relationship with the policy community than at times in the past. The major task will be to stay relevant. To this end:

- CIA should continue to participate in high-level policy coordination groups, even if those groups are revamped and renamed in the new Administration.
- Agency officers at all levels must make special efforts to learn the priorities and programs of the new Administration and to revise their own production and collection plans accordingly. In addition, officials of the new Administration need to be carefully briefed on the covert action process, with emphasis on the limits of CA and the fact that it is the policymaker, not CIA, who drives CA.
- The Agency must help make the new policymakers fully aware of what it can do for them, partly by tutoring them on that subject and partly by marketing its products aggressively.

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CIA RESOURCES

In the early 1980s, the Agency began a program to restore its capabilities across the board, and, with the support of the President and Congress, has made substantial progress. We have rebuilt our cadre of experienced intelligence officers; expanded our analytic capability to cover all regions of the world; rebuilt our capability to collect human source reporting on increasingly complex and dangerous topics, such as terrorism and narcotics; restored our covert action infrastructure in support of US foreign policy; modernized our communications network; created cross-directorate centers for Counterintelligence and Counterterrorism; expanded our investment in physical and technical security; upgraded the National Photographic Interpretation Center--where all imagery is first reviewed and analyzed--to prepare for new collection systems; and improved our capabilities to support an expanded workforce around the world. [REDACTED]

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Resource Issues

After nearly a decade of increasing funds and workforce growth, we now face a period of fiscal constraint. In such an environment, fixed costs tend to inch upward as a percentage of total expenditures, making it harder to devote additional resources to new requirements. This situation will require some tough choices as we try to allocate scarce resources wisely among a number of competing priorities:

- Arms control. We would be hard pressed to monitor many aspects of a prospective START treaty without additional professional staff and resources for collection, processing, and analysis--beyond the staff and resources that we already have for tracking Soviet strategic forces on a routine basis.
- Security Countermeasures. Additional investments are crucial to counter the growing threat to our facilities and people from hostile intelligence services.
- Counterterrorism. We need additional resources--particularly experienced staff officers--to expand our capabilities to monitor increasingly sophisticated terrorist organizations.
- Counternarcotics. We are just beginning to build a capability to develop the indigenous foreign intelligence centers and action teams that target traffickers in their own backyards; additional staff and funds are needed to carry out these activities, and to collect against and analyze financial networks and organizational structures of the traffickers.
- Covert Action. Although individual covert action programs are funded on a case-by-case basis, the infrastructure that supports such programs has been chronically underfunded, so we need to take steps to strengthen that infrastructure and retain experienced people with hard-to-find covert action skills.

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- Support Services. We need to consolidate our people into fewer buildings to improve our physical security, improve operations, and provide for an expanded workforce. We also need to continue our investment in computer and communications systems to improve operational efficiency and effectively exploit new collection systems coming on line over the next decade.
- Personnel. We need to improve our personnel management system to train the new people brought in during the years of recent growth and to maintain a high-caliber workforce during the 1990s. In time, we must implement a flexible compensation and benefits program that is more clearly tailored to the Agency's needs. [REDACTED]

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The Intelligence Budget Process

The intelligence budgetary cycle is generally similar to that of the government as a whole. The National Foreign Intelligence Program (NFIP)--the budget for all US intelligence activities except the tactical intelligence operations of the military services--is classified, but it is subject to the same review as the federal budget--by the Office of Management and Budget in conjunction with the Intelligence Community Staff for the Executive Branch, and by the Intelligence and Appropriation Committees for the Congress. Together, these reviewers have full access to the details of the whole NFIP.

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The NFIP has the following major components:

- The National Reconnaissance Program, for research, development and operation of satellite collection systems.
- The Consolidated Cryptologic Program, which includes resources for the National Security Agency (NSA) and related Signal intelligence (SIGINT) activities of CIA and the military services.
- The Central Intelligence Agency Program.
- The General Defense Intelligence Program, which provides for all DoD spending for DIA, Army, Navy, and Air Force intelligence except tactical operations.
- The intelligence staffs of the Departments of State, Treasury, and Energy, and specialized Intelligence Community elements such as the Intelligence Community Staff, the Security Evaluation Office (which works with State on the standards for embassy security), and the System Integration Office (which handles Community continuity-of-government activities). [REDACTED]

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The House and Senate Intelligence Committees have aggressively reviewed the CIA's budget, with the House typically taking deeper reductions than the

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Senate. In the Gramm-Rudman era, the Intelligence Committees have found themselves at odds with the Appropriations Committees on levels of spending for the NFIP. Generally, Congress has been supportive but has nonetheless reduced our budget request by about three percent annually for the past ten years. [REDACTED]

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Outlook

We are at a point in our program development where we cannot make significant progress on any of the pressing issues cited above unless we put additional resources against them, either by larger appropriations or by making tough decisions about which activities we will need to slow down or eliminate. [REDACTED]

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OVERSEAS SECURITY AND THE DCI SECURITY EVALUATION OFFICE

The formation of the DCI Security Evaluation Office stems directly from a 22 October 1987 memorandum from the President's Deputy Assistant for National Security Affairs to the Secretary of State and the Director of Central Intelligence. That memorandum conveyed the President's decisions on the recommendations sent to him by the Secretary and the DCI in a 3 August 1987 memorandum on the enhancement of security at overseas missions. The latter memorandum, in turn, was generated by the discovery of a number of serious security lapses at our Moscow Embassy and by other overseas security concerns. [REDACTED]

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Implementation

Pursuant to the President's instructions, the DCI established the Security Evaluation Office on 4 April 1988 to develop security standards for US embassies and to monitor compliance with those standards. The office is composed of 60 positions, staffed with counterintelligence and security people from all elements of the Intelligence Community and the Department of State. The head of this unit is named by and responsible to the DCI, who will report problems and recommendations identified by the SEO to the Secretary of State for action, but the Security Evaluation Office itself is independent of the Department of State. [REDACTED]

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The Intelligence Community was asked to support the Security Evaluation Office by encouraging its personnel to volunteer for 2- to 3-year reimbursable details; to provide data in support of all-source, all-agency threat and vulnerability assessments, and in support of the development of security standards to protect embassies from foreign intelligence activity; and to cooperate in the auditing and monitoring of embassy security inspections. The Intelligence Community response has been outstanding. It has long been recognized that a supra-agency office, at the DCI level, could provide a more objective and comprehensive evaluation of threat and vulnerability issues, the requisite security standards, and compliance than could any single agency or department. [REDACTED]

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The Current State of Play

The Secretary of State, the Under Secretary of State for Management, and the Assistant Secretary of State for Diplomatic Security supported the development of the Security Evaluation Office at the outset. The Under Secretary was the principal drafter of the 3 August 1987 memorandum on behalf of the Secretary; the Secretary himself made final revisions to the memorandum. The Assistant Secretary initially supported the office as a means of strengthening his and the Secretary's hand in enforcing a better security program in the Department. Over a period of several months, however, considerable bureaucratic opposition to the SEO developed in the Department. [REDACTED]

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Initially, the Bureau of Diplomatic Security expressed opposition to the notion that anyone other than the Secretary could set security standards for the Department. But this is what the Shultz-Webster memorandum and the President's instructions called for. This issue faded with the DCI's clarification that it was understood that the Secretary made a separate management decision on security standards before those standards could be promulgated by the Department. Subsequently, objections were raised by the Bureau of Diplomatic Security about SEO's authority to consider anything other than technical security matters, whether SEO was authorized independently to monitor embassy compliance with security standards, whether SEO was independent of the Department, and whether State officers volunteering for full-scope (covering both counterintelligence and lifestyle questions) polygraphs as a prerequisite to assignment to the SEO should be required to take such polygraphs. A mid-October meeting of the Secretary, the DCI, and the President's National Security Advisor failed to resolve these issues. []

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As a result, the Security Evaluation Office is carrying out its mission in all respects except where State cooperation is required. It is developing standards, with priority being given to shielding and information handling standards. The office is developing threat and vulnerability analyses on the twenty most vulnerable posts. The office is also auditing some 130 security inspection reports of embassy tenants and monitoring a half-dozen security inspections of embassies. Independent SEO security inspections of critical posts, as directed by the President, await State agreement to comply with those directions. The SEO presently is at half-strength, with some thirty detailees from the CIA and NSA, plus a dozen independent contractors who are counterintelligence and security specialists with past careers in DoD, the FBI, NSA, and CIA. The office plans to be at full-strength by April 1989. []

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The Future

There still is much the Security Evaluation Office can do to improve overseas security and to strengthen the hand of the Secretary of State in providing security to the embassies. It can continue to develop objective, all-source threat and vulnerability assessments on embassies, and it can continue to develop security standards and monitor post compliance with those standards, although this latter function would be hampered without positive State cooperation. It could also improve Intelligence Community support to the Department's security program through coordination of interagency activities such as the Joint Security Project Office and the Plain Text Processing Equipment projects. []

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In the final analysis, however, a decision must be made by the next Secretary of State on whether to comply with the past President's instructions or ask the new President to modify or rescind the 1987 directive. []

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THE AGENCY'S COUNTERTERRORISM EFFORT

The Agency's multidisciplinary Counterterrorist Center (CTC) was created in February 1986 in response to the US Government's new, more activist approach to international terrorism and our own desire to bring all our counterterrorism activities under one roof. The CTC is the first CIA component to combine in one unit personnel and resources from all Directorates working on a single mission. This multi-disciplinary approach brings together analysts, operations officers, technical and covert action experts and information handling specialists. Consistent with the shift in US Government policy, we shifted our emphasis away from incident response and post mortem analysis to devising operations that would disrupt terrorist activities and infrastructures and bring terrorists to justice. [REDACTED]

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Inter-Agency Cooperation

The CTC provides intelligence and operations support to the US counterterrorism community and interacts daily with the core group of senior officials in the government responsible for terrorism policy--represented by the NSC, State Department, the FBI, and the Department of Defense. CTC's analytic unit provides assessments to policymakers on terrorist incidents, threats and trends; and frequently provides information to State Department for use in demarches to countries where terrorists are known to transit or have safehaven. We also work closely with US law enforcement officials to assist them in bringing terrorists to justice. [REDACTED]

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CIA'S COUNTERNARCOTICS PROGRAM

The CIA's primary counternarcotics role is to complement the much larger US Government effort in this area. The Drug Enforcement Administration (DEA), Department of State and other US agencies involved in countering narcotics activities abroad provide overt assistance to foreign governments, mainly to help them eradicate crops, destroy narcotics processing laboratories and damage airstrips used by traffickers. We use [REDACTED]

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[REDACTED] our liaison relationships with foreign intelligence services, both civilian and military, to help in disrupting the major trafficking organizations. [REDACTED]

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[REDACTED] According to Executive Order, no agency except the CIA may, in peacetime, conduct any covert action unless otherwise instructed by the President, and even CIA must have Presidential approval to conduct any specific covert actions. [REDACTED]

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Origin and Approval of Covert Action Proposals

Presidential authorization to undertake a covert action is granted in a "Finding", which certifies that the activity is important to the national security. Significant changes to Findings are authorized by Memoranda of Notification (MON), which must also be approved by the President. Proposals for Findings or MONs generally originate at the cabinet or sub-cabinet level, but are actually drafted by CIA. Each proposal must state the relevant US policy objectives being served, specifically what actions are authorized, what resources are required, what risks are associated with the proposed actions, and the entities authorized to participate in the proposed activities. Before the DCI releases the draft to the NSC for review, it is reviewed at five levels within CIA to ensure that the proposed action is operationally feasible and is consistent with US foreign policy, values, and law, as well as with Agency policy and regulations. [REDACTED]

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Within the NSC context, the proposal is reviewed at three levels: an interagency working group, the sub-cabinet level Planning and Coordination Group (PCG), and the cabinet-level National Security Planning Group (NSPG). The NSPG provides its recommendations to the President, who makes the final decision. At least once a year, the PCG and NSPG review and decide whether to reaffirm, revise, or terminate each Finding. [REDACTED]

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In addition, four committees of Congress--the House and Senate intelligence oversight committees (for review) and the House and Senate appropriations committees (for funding) are notified of each proposal. In all but extraordinary circumstances, notification must occur within two working days of Presidential approval, and before any covert activity is actually undertaken. [REDACTED]

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Such rigorous and extensive review and approval procedures help ensure that any covert action that the Agency undertakes makes sense, would be supported by the American people if made public, and is consistent with US law, policy, and objectives, but they also significantly increase the likelihood that any such programs will not remain covert for long. Such extensive review also discourages the undertaking of such programs in the first place, inhibits their timely implementation, and places the people involved in them at much higher risk (because of the increased risk of leaks). It also invites micromanagement of the programs on the part of our Congressional overseers. This arguably calls for a reexamination and simplification of the review process, and, in particular, a reduction in the number of layers and players involved in that process.

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RELATIONS BETWEEN CIA AND THE CONGRESS

CIA's relationship with the Congress is less politically charged now than it was two years ago. Nevertheless, inherent strains persist, and important issues concerning the limits of proper Congressional oversight remain to be negotiated with the 101st Congress. [REDACTED]

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Relations Between CIA and the Congress

The DCI meets monthly with the Chairmen and Ranking Minority Members of the Senate and House Intelligence Committees, and approximately weekly with one or another Member of the Congress. Top officials from the Agency's Operations and Intelligence Directorates brief the House Intelligence Committee every other week on operational and substantive developments, and regular hearings are conducted throughout the year by other officials on a wide variety of substantive, operational, programmatic and budget issues. In the aggregate, CIA officers provide more than 1,000 briefings per year to Members or Committees of Congress, and the Agency's views are sought and valued on a wide variety of issues of concern to the Congress. In addition, the Agency sends more than 4,000 classified publications to the Hill annually and hosts approximately 100 Congressional staff delegations at CIA installations abroad. [REDACTED]

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This range of support is provided primarily to the Senate and House Intelligence Committees; secondarily, to the Defense Subcommittees of the Appropriations Committees, which also have oversight responsibilities; and, on a less frequent basis, to the Armed Services and Foreign Affairs Committees of each House. In all of these encounters, Agency officers are mindful of what we term the "four C's": candor, completeness, consistency, and, where necessary, corrections. At the same time, we continue to protect scrupulously the identities of the Agency's human source assets, our liaison relationships with foreign services, unevaluated intelligence reports from the field, and internal management documents. [REDACTED]

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Statutory Inspector General

In the aftermath of the Iran-Contra investigation, a number of Congressmen proposed that internal oversight in the Agency be strengthened by bringing CIA under the Inspector General Act of 1978. This would entail, among other things, requiring that the Agency's Inspector General (IG) be approved by Congress and that he report directly to the Congress. It would also call for granting subpoena power to the IG. We believe these measures would have a negative effect on the IG's ability to carry out his functions here at the Agency, mainly because our employees would be less willing to cooperate with an outside IG out of fear that confidentiality would be jeopardized, and also because there would be greater risk that sensitive sources and methods would be compromised. [REDACTED]

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The DCI has made clear his opposition to this proposal and has taken a number of internal steps to enhance the role, authority, and effectiveness of the IG in response to Congressional concerns in this area, including the

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establishment of a new program to ensure the appointment of high caliber officers to the IG's staff and the appointment of a new IG with the rank of Deputy Director who reports directly to the DCI. These steps will further increase the value of the Agency's inspection and auditing process to the DCI and component managers. Moreover, the improved process was not something forced on us or grudgingly put in place. It is something we value as a means of maintaining and improving our standards of performance and identifying problems that may have gone unaddressed. [REDACTED]

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Covert Action: Source of Most Controversy

[REDACTED] CIA notifies the Intelligence Committees of any new Finding or Memorandum of Notification within 48 hours of signature by the President. The two Intelligence Committees normally request briefings for the staff and, separately, for Members on each Finding within days of receipt. In addition, each Committee has a system of quarterly or other reviews of our covert action programs, and the Senate Committee has established an Audit Team that reviews selected programs in depth. The House Committee is in the process of organizing its own audit capability. [REDACTED]

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The Committees in general recognize that they are being fully and promptly informed about our covert action activities, but the political considerations surrounding these programs are so important to Members that their close reviews of these programs are certain to continue. In especially controversial cases, the Committees have exercised their authority to terminate or limit funding. [REDACTED]

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Continuing Problems

Three specific problems are likely to bedevil CIA-Congressional relations in the new Congress as they did in the 100th Congress. The first and most troublesome will be the continuing trend toward Congressional micromanagement of Agency programs, ranging from covert action, to personnel and benefits issues, to second-guessing of our analytic conclusions. This Congressional intervention erodes Agency management flexibility and ties up thousands of man-hours. A variation of this problem occurs with disturbing frequency when the Congress inadvertently hamstring Agency activities through legislative action in apparently unrelated areas; this, too, requires many hours of monitoring on the part of our Office of Congressional Affairs. [REDACTED]

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Second, efforts continue by several Members and Committees of Congress to give the General Accounting Office (GAO) a role in auditing Agency activities. Chairman Stokes turned aside frontal assaults by GAO but, with his leaving the chairmanship and with some novel attempts to introduce GAO, this issue will demand close monitoring. Finally, non-intelligence committees continue to claim the right to receive testimony and review Agency activities. The House Judiciary Committee looking into narcotics problems has been the most insistent, but all such efforts need to be channelled toward the Intelligence Committees lest several committees of the Congress assume de

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facto oversight responsibilities. The effort to get the intelligence committees to protect their own and the Agency's (sources and methods) interests against the encroachment of other committees has become an almost constant battle, one which is not likely to diminish in the coming session of Congress. [REDACTED]

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Key Political Unknown

Speaker Wright will be appointing a new chairman of the House Intelligence Committee to replace Chairman Stokes. Although Stokes was personally opposed to certain Agency programs, he was protective of sensitive programs, avoided introducing intelligence matters into public political debate, and supported substantial personnel and financial resources for the Agency. None of these can be taken for granted until we develop a satisfactory relationship with a new Chairman. [REDACTED]

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Issues Requiring Action with the 101st Congress

For a variety of reasons, the Intelligence Oversight Legislation (the 48-hour Bill) growing out of the Iran-Contra events died at the end of the last Congress, but it is likely to come up again early in the 101st Congress. After lengthy discussions with Agency officers, the drafters of the legislation put together a bill that the Agency can live with in all respects but one: the 48-hour provision. Because this provision unacceptably limits the President's constitutional prerogatives and because the existing National Security Decision Directive on covert action provides for 10-day reviews in exceptional cases anyway, the DCI has registered his opinion that the bill should be vetoed if it passes the Congress. [REDACTED]

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The Senate Intelligence Committee will have two or three new members in 1989, but these are likely to be less politically significant given the lack of change of either the Chairman or the Vice Chairman. [REDACTED]

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On the substantive side, narcotics, Central American issues, and START monitoring are likely to be the most time-consuming and controversial issues on which we will be briefing the new Congress. Significant work in the START area is already underway. [REDACTED]

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EXECUTIVE BRANCH OVERSIGHT

In addition to the National Security Council's role in and responsibilities for reviewing, guiding and directing the conduct of national foreign intelligence and counterintelligence activities, there are two Executive Branch components that have specific national intelligence oversight responsibilities: the President's Foreign Intelligence Advisory Board (PFIAB), and the President's Intelligence Oversight Board (PIOB). Both operate within the Executive Office of the President. [REDACTED]

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PFIAB

The President's Foreign Intelligence Advisory Board is a permanent, theoretically non-partisan body of some 15 distinguished Americans, mostly from the private sector and academia, who's basic function is to review the performance of the Intelligence Community. The Board is appointed by and reports to the President; it has access to all the information necessary to advise him on the quality, quantity, and adequacy of intelligence collection, analysis and estimating, of counterintelligence, and of other important intelligence activities. The Board was first established by President Eisenhower in 1956 and continued in existence until 1977, when it was abolished by President Carter, largely because of its sponsorship of the A-Team/B-Team exercise and Carter's view that the Board had become too politicized. President Reagan reestablished the Board in October 1981. [REDACTED]

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Over the years, the Board has provided valuable advice to the President on a number of important programmatic and functional issues, such as the acquisition and management of high-cost intelligence collection systems, and other bureaucratically sensitive and complex issues, such as overseas security and counterintelligence. The Board has been less useful, however, in addressing substantive issues, which are already subjected to extensive review and competitive analysis within the Intelligence Community. [REDACTED]

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PIOB

The President's Intelligence Oversight Board was created by Executive Order in 1976 in the wake of Executive and Legislative Branch investigations of reported illegalities and improprieties within the Intelligence Community. Its three members are appointed by the President from the public sector (the Chairman must also be a member of the PFIAB), and report directly to him on any intelligence activities that they believe are contrary to law, Executive Order, or other Presidential directive. The Board also forwards to the Attorney General any reports that it receives on possible illegal intelligence activities. It is also charged with reviewing internal guidelines, practices and procedures within the Intelligence Community for discovering and reporting possibly illegal activities, and it may conduct its own investigations of such activities. [REDACTED]

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CONFIDENTIAL

Within the CIA, both the Inspector General and the General Counsel report to the Board quarterly on matters in their areas of responsibility that relate to illegality and wrongdoing, and the Operations Directorate briefs the Board regularly on covert action initiatives and activities. [REDACTED]

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We believe the Board has been pleased with the quality of support and cooperation provided by the Agency. For our part, Agency support to the Board is a time consuming, but not onerous, task. Nonetheless, there might be some logic in combining the oversight activities of the PIOB and the PFIAB, with the PIOB, in effect, becoming an adjunct to the PFIAB and the Agency reporting to one, rather than two, White House element on matters of propriety and illegality. [REDACTED]

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CONFIDENTIAL

LAW ENFORCEMENT ISSUES

CIA's role in the law enforcement arena is defined primarily by the National Security Act of 1947. That Act explicitly prohibits the Agency from exercising police, law enforcement, or internal security powers. The Act also directly charges the Director of Central Intelligence with responsibility for protecting intelligence sources and methods.

As a consequence, the Agency generally does not participate directly in activities that are conducted solely for law enforcement purposes (i.e., CIA does not directly participate in arrests or in criminal investigations). Similarly, the Agency generally refrains from collecting and disseminating intelligence specifically for use as evidence in criminal proceedings when that evidence, or the sources and methods from which it was produced, may be subject to discovery and disclosure. The basic problem for us in this area, then, is determining how best to respond to the legitimate intelligence needs of domestic law enforcement authorities without either violating the prohibitions on our own law enforcement activities or endangering our sensitive sources and methods.

Assistance to Law Enforcement Authorities

Certain types of CIA assistance to law enforcement authorities are permitted under the National Security Act. Executive Order 12333 explicitly authorizes Intelligence Community agencies to provide assistance to law enforcement authorities, and specifically authorizes such assistance in counterintelligence, counterterrorism, and counternarcotics investigations. Over the past several years, CIA has responded to requests for increased assistance to law enforcement authorities, and has enhanced its intelligence collection capabilities in each of these three areas.

The Executive Order permits the Agency to provide two general types of assistance to other federal agencies, including law enforcement agencies. CIA may provide law enforcement agencies with certain training, specialized equipment, technical knowledge, or assistance of expert personnel. CIA may also provide intelligence it has lawfully collected to appropriate law enforcement authorities, but not usually for direct use as evidence. Instead, such intelligence is normally provided for "lead purposes only," to assist the other agency in an ongoing investigation, or, in some circumstances, in interdiction activities.

The Protection of Sources and Methods

The dissemination of intelligence to law enforcement authorities on a "lead purposes only" basis is intended to protect Agency sources and methods from disclosure or compromise. This need to protect sources and methods may clash with a defendant's discovery rights if CIA information is implicated in a criminal prosecution. These concerns are particularly strong in the areas of counterterrorism and counternarcotics investigations, where recently enacted statutes have enhanced the extra-territorial jurisdiction of the United States and made it more likely that activities abroad that are the

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subjects of independent CIA intelligence interest also will be the subjects of criminal investigations or prosecutions. Thus, the issue of source protection in subsequent criminal proceedings is likely to arise more frequently in the future.

Although the Agency generally does not provide information to law enforcement authorities for use as evidence in criminal proceedings, such information still may be indirectly implicated in criminal proceedings, particularly if the CIA-provided intelligence is relevant to the prosecution's case, has been used in some other fashion by the law enforcement agency, or contains statements or materials that tend to exculpate the defendant. Additionally, when CIA possesses intelligence derived from electronic surveillance on the subject of a criminal prosecution, that intelligence may be subject to disclosure under Section 3504 of the Federal Criminal Code, even if the information was not used in the criminal prosecution.

In those cases in which CIA sources and methods are implicated in criminal proceedings, Agency attorneys, in conjunction with attorneys from the Department of Justice, have employed a variety of legal procedures to protect classified information from unnecessary compromise. The Classified Information Procedures Act (CIPA) has proven to be a particularly valuable tool in this regard.

Relations with Department of Justice

CIA works closely with the Department of Justice to ensure that Agency assistance to law enforcement is consistent with the National Security Act of 1947 and compatible with the necessity to protect Agency sources and methods. Besides addressing issues regarding the scope of assistance that the Agency may lawfully provide, CIA's Office of General Counsel works with Justice to ensure that CIA collection activities affecting U.S. persons are conducted in a lawful fashion.

CIA also works closely with the Justice Department as a result of the requirement contained in 28 U.S.C. 535 and Executive Order 12333 that we report to the Attorney General possible violations of federal criminal laws by employees and possible violations of certain federal criminal laws by non-employees. The investigation and prosecution of reported violations of law often involves resolving difficult issues concerning the availability of sensitive information relating to intelligence sources and methods, which may be needed by the prosecutor, the defendant, or both, to support their respective legal positions at trial.

Similar concerns arise in cases involving the prosecution of former CIA assets or employees. In a growing number of cases, former assets and employees have claimed that their activities were authorized by or undertaken on behalf of the CIA. This so-called "CIA defense" requires the Agency to take various legal steps, and even produce witnesses for trial, to refute such claims while protecting the sensitivity of the information concerning their former relationships, if any. CIPA has been helpful in these cases as well.

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CONTROLLING CLASSIFIED INFORMATION

The National Security Act of 1947 took particular note of, and gave the DCI special responsibility with respect to, the need to protect intelligence sources and methods. In the context of the times, the primary concern then was the protection of human sources, but the need applies equally nowadays to technical sources. In any case, the need to protect sources and methods has resulted over the years in the establishment and maintenance of an extensive security environment. This environment, and the security consciousness associated with it, becomes second nature to intelligence professionals, but tends to be of much less concern to our consumers in the policy community and elsewhere.

The Agency's Approach

The Agency's first line of defense in protecting and controlling classified information is its own employees. The Agency seeks to ensure that all staff, contract, and contractor employees meet the Agency's high personnel security standards. Initial screening for new employees includes an extensive background investigation and polygraph examination to determine whether the applicant is a potential security risk and whether the individual should be allowed access to classified information. Once hired, employees are polygraphed again prior to completion of a three-year probationary period, and are repolygraphed at five-year intervals thereafter. The polygraph and internal security programs that the Agency has devised are aimed at detecting and preventing hostile penetrations, the compromise of classified information, and other unauthorized activities. We believe the polygraph is a valuable tool in this regard. But it is just that--one of many security tools at our disposal. It is not fool-proof.

To further protect classified information, the Agency disseminates its raw intelligence reports to consumers on a strict need-to-know basis. All reports bear appropriate control markings to restrict unauthorized distribution and use without the originator's approval. In an age of increasing computerization and electronic dissemination, however, there is an increasing need for an agreed government-wide policy governing the electronic dissemination of intelligence information.

Compartmentation

A number of compartmented intelligence programs, known generically as Sensitive Compartmented Information (SCI) programs, have been established to further protect especially sensitive classified information, sources and methods. Personnel who need access to SCI must meet rigorous personnel security standards, and measures protecting the information are set forth in regulatory issuances governing computer security, security of SCI facilities, and procedural document control measures. Efforts were made toward the end of the Carter Administration to consolidate control of all these compartmented programs under the DCI, but bureaucratic opposition from other departments and agencies was so great that the idea was dropped in the early days of the Reagan Administration.

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Prepublication Review

Prepublication review is another tool we use to protect intelligence sources and methods. It is based on a contract between the government and its employees who are given access to sensitive intelligence information. The contract levies two requirements on the employee: not to disclose the information, and, if he or she plans to publish on the subject, to submit the proposed statement to the Government in advance to ensure that it contains no classified information. Other legal remedies available to the Executive Branch to prevent the publication of classified information by employees--a civil suit for breach of contract or criminal prosecution for espionage--can punish the wrongdoer but not save the secrets.

Prepublication review at CIA works fairly and quickly. The Agency makes every effort to complete the review and respond to the author within 30 days. The CIA usually meets--and often beats--this deadline. In the first nine months of 1988, for example, CIA reviewed 240 submissions (over 13,000 pages); 145 submissions were reviewed in 10 days or less; 92 manuscripts required from 10 to 30 days; only three took more than 30 days.

Unauthorized Disclosure

Unauthorized disclosures of classified intelligence to the news media by government employees has become one of the most severe, enduring, and intractable problems in this whole area. The damage such disclosures cause to our technical collection programs, human sources, information exchanges with foreign intelligence services, and other intelligence activities is enormous, as is the cost to the taxpayer that results from the need to replace sources and methods compromised by such disclosures. We have taken a number of procedural steps to alleviate the problem, and have obtained the support of other departments and agencies in implementing them. But there is a widespread lack of security discipline and political will to act against those who give classified information to the media. Strong examples and strong measures are needed to provide leadership in this area, and the start of a new Administration provides a particularly good opportunity to do so.

Some specific steps that may be worth considering include government-wide acceptance of polygraph examination as a requirement for access to sensitive compartmented information; establishment of a coordinating mechanism to approve the declassification and release of classified intelligence information to the media, and ensure that damage to sources and methods is minimized when it is released; development of a uniform government-wide policy on media relationships; and the application of more manpower to the investigation of leaks.

Last but not least, more effective legislation is needed to penalize the unauthorized disclosure of classified intelligence by federal employees. This probably would be the most effective but, at the same time, most controversial step that could be taken. The goal here would be to help stem the flow of properly classified information to the press and into the hands of hostile

intelligence services and terrorist groups, not to discourage informed discussion of important national issues or to interfere with those who have legal responsibility for overseeing our activities. On the contrary, such measures could help reduce the heat or friction that now so often surrounds such policy discussions and oversight activities. The recent Supreme Court decision to let stand the use of the Espionage Act in the Morrison case is a step in the right direction, but it represents only one conviction in 70 years. We still need more effective legislation to halt the wanton and willful disclosure of classified intelligence information by those inside government who violate the trust we place in them.